

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>TOWNSHIP OF ALAIEDON</b>	County <b>INGHAM</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/31/05</b>	Date Accountant Report Submitted to State: <b>11/28/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>LAYTON &amp; RICHARDSON, P.C.</b>			
Street Address <b>1000 COOLIDGE RD</b>		City <b>EAST LANSING</b>	State <b>MI</b>
		ZIP <b>48823</b>	
Accountant Signature <i>Layton &amp; Richardson, P.C.</i>			Date <b>11/28/05</b>

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## INDEPENDENT AUDITORS' REPORT

Township Board  
Township of Alaiedon  
Mason, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Alaiedon, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Alaiedon, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the departures described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Alaiedon, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2005 on our consideration of the Township of Alaiedon, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3 through 7 is not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Alaiedon, Michigan's basic financial statements. The accompanying introductory section, supplemental financial information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements, of the Township of Alaiedon, Michigan. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Layton & Richardson, P.C.*  
Certified Public Accountants

East Lansing, Michigan  
August 31, 2005

**ALAIEDON TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**OF 2005 ANNUAL AUDIT REPORT**

I. **Using This Report.**

This annual audit report consists of a series of financial statements. The Statement of Net Assets provides financial information about the activities of the Township as a whole and presents a long-term view of the Township's finances. Fund financial statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

· **Governmental Funds** – Most of the Township's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement presented with the fund financial statements.

· **Proprietary Funds** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary Fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the propriety fund statement of net assets to the business-type column on the government-wide statement of net assets, the total net assets and liabilities agree.

· **Fiduciary Funds** – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

· **Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

· **Other Information** – In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General Fund. The combining statements in connection with non-major governmental funds are presented immediately following the notes to financial statements.

II. **The Township as a Whole.**

The Township's combined net assets increased \$16,009. The General Fund balance was \$834,335. Interest income is up from last year, but the Township believes this is basically due to the increase in general overall interest rates. On the expenditure side, public safety expenses were down by \$3,477 and expenditures on public works increased by approximately \$193,723. The continuing expenses in public works reflects the continued infrastructure improvements for water and road and drainage systems in the Fountain Pointe development north of I-96. The table below shows the statement of net assets for the Township in the new accounting format for the year ended June 30, 2005.

# TOWNSHIP OF ALAIEDON, MICHIGAN

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 686,098	\$ 39,059	\$ 725,157
Investments	629,257	320,000	949,257
Receivables			
Accounts	1,000		1,000
Special assessments	1,225,357	1,297,468	2,522,825
Accrued interest receivable	952	2,953	3,905
Due from			
Other funds	1,010		1,010
State	45,084		45,084
Fixed assets (net of accumulated depreciation)	425,485	1,911,021	2,336,506
TOTAL ASSETS	\$ <u>3,014,243</u>	\$ <u>3,570,501</u>	\$ <u>6,584,744</u>
LIABILITIES			
Current liabilities			
Payables			
Accounts	\$ 10,006	\$	\$ 10,006
Payroll and payroll taxes	2,028		2,028
Due to			
Other funds	1,000		1,000
Accrued interest	11,433	19,267	30,700
Bonds and notes payable	80,000		80,000
Deposits payable	3,000		3,000
Lease payable		100,000	100,000
Noncurrent liabilities			
Bonds and notes payable	1,440,000		1,440,000
Lease payable		1,580,000	1,580,000
Accrued sick and vacation pay	2,450		2,450
TOTAL LIABILITIES	<u>1,549,917</u>	<u>1,699,267</u>	<u>3,249,184</u>
NET ASSETS			
Invested in capital assets, net of related debt	425,485	331,021	756,506
Restricted for			
Bond and interest redemption	374,530		374,530
Debt service		1,540,213	1,540,213
Unrestricted	664,311		664,311
TOTAL NET ASSETS	<u>1,464,326</u>	<u>1,871,234</u>	<u>3,335,560</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,014,243</u>	\$ <u>3,570,501</u>	\$ <u>6,584,744</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, are \$664,311.

The following table shows the Changes in Net Assets for the year ended June 30, 2005.

# **TOWNSHIP OF ALAIEDON'S CHANGES IN NET ASSETS**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Revenue			
Program revenue			
Changes for services	\$ 92,178	\$	\$ 92,178
General revenue			
Property taxes	241,043		241,043
Sales tax	216,359		216,359
Interest of Special Assessments	67,380	80,998	148,378
Miscellaneous	96,980		96,980
Unrestricted investment earnings	<u>25,948</u>	<u>7,052</u>	<u>33,000</u>
Total revenues	<u>739,888</u>	<u>88,050</u>	<u>827,938</u>
Program Expenses			
General government	224,821		224,821
Public safety	110,356		110,356
Public Works	163,766		163,766
Other	90,821		90,821
Depreciation	29,132		29,132
Interest on long-term debt	70,276		70,276
Water and sewer		<u>122,757</u>	<u>122,757</u>
Total program expenses	<u>689,172</u>	<u>122,757</u>	<u>811,929</u>
Increase in net assets	50,716	( 34,707)	16,009
Net assets - July 1	<u>1,413,610</u>	<u>1,905,941</u>	<u>3,319,551</u>
Net assets - June 30	<u>1,464,326</u>	<u>1,871,234</u>	<u>3,335,560</u>



The Township's net assets continue to remain healthy. Actual revenues grew more than \$94,955 in excess of what was originally anticipated in the budget. Further, excessive revenues over expenditures increased by \$89,155, so that the General Fund balance, as of June 30, 2005, was at \$834,335, \$503,609 more than what was anticipated when setting the budget at the beginning of the fiscal year.

#### IV. Governmental Activities.

The Township's total governmental revenues for the General Fund was \$597,105. There were significant increases in many of the revenue areas of the Township. Property tax revenues were \$10,893 higher than anticipated, and charges for services (i.e., administrative fees, fire run collections, and cemetery lot sales) accounted for an increase of over \$39,166 from what was anticipated when the budget was set.

On the expenditure side, expenditures were significantly less in certain areas, specifically in cemetery costs, which were approximately \$90,350 less than had been budgeted. In addition, office costs were almost \$27,933 less than budgeted, which two components made up the greatest portion of the favorable variance between the final budgeted amounts and the actual expenditures in the amount of \$118,283.

#### V. Business Type Activities.

The Township's business type activities consist of the installation of water mains and sewer lines primarily within that portion of the property north of I-96 and west of Okemos Road in the northwest quadrant of the Township. With agreements with the Board of Water & Light for water and the City of Lansing for sewer, the Township has contracted that a certain number of parcels, principally commercial, shall receive water and sewer services. The Township also has an agreement with Meridian Township for the provision of water and sewer services to a small portion of commercial property to the east of Okemos Road and also north of I-96. Except for an administrative fee for the issuance of permits within the Meridian Township district, the Township derives no income from these funds.

Consequently, the financial activity set forth in these funds represents the payment of construction costs for the construction of the public infrastructure and the payment of the bonds, reflected as expenditures, and the collection of special assessments against the unimproved properties, within the various districts, reflecting revenues to the Township.

#### VI. Township Funds.

The analysis of the Township's major funds begins on page 14, showing the combined balance sheet for all fund types and account groups within the Township. Fund financial statements provide detailed information about the most significant funds, not the township as a whole. The Township Board has created funds to help manage money as required by law. These separate funds also assist in showing accountability for certain activities. The Township's major funds for 2005 include the General Fund, the H & H Water Assessment Bonds, and Fountain Pointe Assessment Bonds and Fountain Pointe Road Construction Project.

The General Fund pays for most of the Township's governmental services. The largest expenses are the office expenses, which provide the general accounting and clerical support for the Township activities. After Office Expenses, Building and Grounds, Assessing, and Cemetery Expenses represent the greatest expenditures from the General Fund for general services.

#### VII. Capital Assets and Debt Administration.

The capital assets as reflected in the report show fixed assets acquired by the Township. The capital assets of land, land improvements, and buildings and furniture and fixtures, principally describes the Township Hall and the land on which it is located, the Township cemeteries and the equipment used to maintain the cemeteries, the Township vehicles principally used for the maintenance of the Township grounds and cemeteries, and certain unimproved land owned by the Township. The remaining fixed assets are a water system and sewer system installed in the northwest quadrant of the Township. Those infrastructure assets now provide water and sewer services for the principally commercial development north of I-96 and west of Okemos Road.

The only bonded indebtedness of the Township relates to the special assessment bonds (described more fully below) for the payment of the infrastructure improvements in the northwest quadrant. Bonds have been sold which financed the sanitary sewer, water, and road and storm sewer projects. Each series of bonds (sanitary sewer bonds, water bonds, and road and storm sewer bonds) are accounted for separately but their combined totals are reflected as the overall indebtedness of the Township. Except for those special assessment bonds, there are no other general obligation bonds or revenue bonds issued by the Township.

At the end of fiscal year 2004/2005, the Township had approximately \$2,336,506 invested in land, land improvements, buildings, water and sewer lines, vehicles and equipment. See Note 4 to the basic financial statements for additional information.

Debt reported in Note 7 to these financial statements is related to the Special Assessment bonds. Special Assessment bonds are carried by the Township to finance the property owner portion of the sanitary sewer, water and road and storm sewer improvement projects. The assessments are paid back to the Township with sufficient interest to cover the bond interest rate and administrative costs. As described in Note 11, the Township has a lease agreement with the County of Ingham for construction a sanitary sewer system. The County sold bonds for this project and the Township is paying back the County for the principal and interest of these bonds. On the remaining water and road and storm drain projects, the Township sold the bonds directly and not through the County.

#### VIII. General Fund Budgetary Highlights.

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant change was the increase in revenues, representing an increase in property tax collections, the increase in building permit revenues, and a significant increase in the charge for services provided for the Township. In addition, all of the Township departments stayed below budget representing a substantial improvement in the fund balance from what had been anticipated at the beginning of the fiscal year.

## GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

# TOWNSHIP OF ALAIEDON, MICHIGAN

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash	\$ 686,098	\$ 39,059	\$ 725,157
Investments	629,257	320,000	949,257
Receivables			
Accounts	1,000		1,000
Special assessments	1,225,357	1,297,468	2,522,825
Accrued interest receivable	952	2,953	3,905
Due from			
Other funds	1,010		1,010
State	45,084		45,084
Capital assets (net of accumulated depreciation)	<u>425,485</u>	<u>1,911,021</u>	<u>2,336,506</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,014,243</u></u>	<u><u>\$ 3,570,501</u></u>	<u><u>\$ 6,584,744</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables			
Accounts	\$ 10,006	\$	\$ 10,006
Payroll and payroll taxes	2,028		2,028
Due to			
Other funds	1,000		1,000
Accrued interest	11,433	19,267	30,700
Bonds and notes payable	80,000		80,000
Deposits payable	3,000		3,000
Lease payable		100,000	100,000
<b>Noncurrent liabilities</b>			
Bonds and notes payable	1,440,000		1,440,000
Lease payable		1,580,000	1,580,000
Accrued sick and vacation pay	<u>2,450</u>		<u>2,450</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,549,917</u></u>	<u><u>1,699,267</u></u>	<u><u>3,249,184</u></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	425,485	331,021	756,506
Restricted for			
Bond and interest redemption	374,530		374,530
Debt service		1,540,213	1,540,213
Unrestricted	<u>664,311</u>		<u>664,311</u>
<b>TOTAL NET ASSETS</b>	<u><u>1,464,326</u></u>	<u><u>1,871,234</u></u>	<u><u>3,335,560</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,014,243</u></u>	<u><u>\$ 3,570,501</u></u>	<u><u>\$ 6,584,744</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Primary Government			
Governmental Activities			
General government	\$ 224,821	\$ 67,166	\$
Public safety	110,356		
Public works	163,766	25,012	
Other	90,821		
Depreciation	29,132		
Interest on long-term debt	70,276		
Total Governmental Activities	<u>689,172</u>	<u>92,178</u>	
Business-Type Activities			
Water and Sewer Special Assessment	<u>122,757</u>		
Total Primary Government	<u>\$ 811,929</u>	<u>\$ 92,178</u>	<u>\$</u>
General Revenues			
Property taxes levied for general purposes			
Sales taxes			
Interest on special assessments			
Miscellaneous			
Unrestricted investment earnings			
Total General Revenues and Transfers			
Change in Net Assets			
Net Assets, July 1			
Net Assets, June 30			

See accompanying notes to financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
\$	\$ (157,655)	\$	\$ (157,655)
	(110,356)		(110,356)
	(138,754)		(138,754)
	(90,821)		(90,821)
	(29,132)		(29,132)
	(70,276)		(70,276)
	(596,994)		(596,994)
		(122,757)	(122,757)
\$	(596,994)	(122,757)	(719,751)
	241,043		241,043
	216,359		216,359
	67,380	80,998	148,378
	96,980		96,980
	25,948	7,052	33,000
	647,710	88,050	735,760
	50,716	(34,707)	16,009
	1,413,610	1,905,941	3,319,551
\$	\$ 1,464,326	\$ 1,871,234	\$ 3,335,560

TOWNSHIP OF ALAIEDON, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

ASSETS

	GENERAL	H & H WATER ASSESSMENT BONDS
ASSETS		
Cash	\$ 425,018	\$ 43,594
Investments	374,257	80,000
Receivables		
Accounts	1,000	
Special assessments		544,926
Accrued interest receivable		298
Due from		
Other funds	1,010	
State	45,084	
	<u>          </u>	<u>          </u>
TOTAL ASSETS	\$ 846,369	\$ 668,818

LIABILITIES AND FUND EQUITY

LIABILITIES		
Payables		
Accounts	\$ 10,006	\$
Payroll and payroll taxes	2,028	
Due to other funds		
Deposits payable		
Deferred revenue		544,926
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	12,034	544,926
FUND BALANCE		
Reserved for building department	20,911	
Reserved for debt service		123,892
Unreserved, reported in		
General fund	813,424	
Special revenue fund		
Capital projects funds		
	<u>          </u>	<u>          </u>
TOTAL FUND BALANCE	834,335	123,892
TOTAL LIABILITIES AND FUND BALANCE	\$ 846,369	\$ 668,818

See accompanying notes to financial statements.

FOUNTAIN POINTE ASSESSMENT BONDS	FOUNTAIN POINTE ROAD CONSTRUCTION PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 58,833 175,000	\$ 31,109	\$ 127,544	\$ 686,098 629,257
680,431 654			1,000 1,225,357 952
			1,010 45,084
<u>\$ 914,918</u>	<u>\$ 31,109</u>	<u>\$ 127,544</u>	<u>\$ 2,588,758</u>
\$	\$	\$	\$ 10,006 2,028
		1,000 3,000	1,000 3,000
680,431			1,225,357
<u>680,431</u>		<u>4,000</u>	<u>1,241,391</u>
234,487		16,151	20,911 374,530
		1,112 106,281	813,424 1,112
	31,109		137,390
<u>234,487</u>	<u>31,109</u>	<u>123,544</u>	<u>1,347,367</u>
<u>\$ 914,918</u>	<u>\$ 31,109</u>	<u>\$ 127,544</u>	<u>\$ 2,588,758</u>



**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total fund balance-governmental funds		\$	1,347,367
Amounts reported for governmental activities in the statement of net assets are different because Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$855,031 and the accumulated depreciation is \$429,546			425,485
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds Long-term liabilities at year-end consist of:			
Bonds payable	\$	(1,520,000)	
Accrued interest		(11,433)	
Compensated absences		<u>(2,450)</u>	(1,533,883)
Deferred revenue			<u>1,225,357</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>		\$	<u><u>1,464,326</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL	H & H WATER ASSESSMENT BONDS
REVENUES		
Taxes and special assessments	\$ 241,043	\$ 61,909
Licenses and permits	25,012	
Intergovernmental	216,359	
Charges for services	67,166	
Interest and rentals	17,602	2,072
Other revenues	29,923	
TOTAL REVENUES	<u>597,105</u>	<u>63,981</u>
EXPENDITURES		
General government	226,178	
Public safety	110,356	
Public works	80,595	
Debt service		
Principal retirement		35,000
Interest and fiscal charges		28,515
Other	90,821	
TOTAL EXPENDITURES	<u>507,950</u>	<u>63,515</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	89,155	466
FUND BALANCE, JULY 1	<u>745,180</u>	<u>123,426</u>
FUND BALANCE, JUNE 30	<u>\$ 834,335</u>	<u>\$ 123,892</u>

See accompanying notes to financial statements.

FOUNTAIN POINTE ASSESSMENT BONDS	FOUNTAIN POINTE ROAD CONSTRUCTION PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 69,951	\$	\$ 13,273	\$ 386,176
			25,012
			216,359
3,991	1,110	1,173	67,166
		67,057	25,948
<u>73,942</u>	<u>1,110</u>	<u>81,503</u>	<u>96,980</u>
			817,641
			226,178
			110,356
	83,171		163,766
45,000		15,000	95,000
41,287		638	70,440
<u>86,287</u>	<u>83,171</u>	<u>15,638</u>	<u>90,821</u>
			756,561
(12,345)	(82,061)	65,865	61,080
<u>246,832</u>	<u>113,170</u>	<u>57,679</u>	<u>1,286,287</u>
\$ <u><u>234,487</u></u>	\$ <u><u>31,109</u></u>	\$ <u><u>123,544</u></u>	\$ <u><u>1,347,367</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

Net changes in fund balance-total governmental funds	\$ 61,080
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	12,358
Less: current year depreciation	(29,132)
Less: current year disposals	(10,558)
Revenues in the individual funds that provide current financial resources that were previously reported as revenues in the statement of activities	(77,753)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	
Accrued interest	164
Principal payments	95,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in long-term compensated absences	(443)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>50,716</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
BUSINESS-TYPE ACTIVITIES  
ENTERPRISE FUNDS  
WATER AND SEWER SPECIAL ASSESSMENT  
JUNE 30, 2005

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 39,059
Certificate of deposit	320,000
Accrued interest receivable	2,953
Special assessment receivable-current	81,691
TOTAL CURRENT ASSETS	<u>443,703</u>
PROPERTY, PLANT AND EQUIPMENT	
Utility mains	2,001,069
Less: accumulated depreciation	90,048
NET PROPERTY, PLANT AND EQUIPMENT	<u>1,911,021</u>
OTHER ASSETS	
Special assessment receivable	1,215,777
TOTAL ASSETS	<u>\$ 3,570,501</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accrued interest payable	\$ 19,267
Lease payable	100,000
TOTAL CURRENT LIABILITIES	<u>119,267</u>
LONG-TERM LIABILITIES	
Lease payable	1,580,000
TOTAL LIABILITIES	<u>1,699,267</u>
CONTRIBUTED CAPITAL	
Taxpayers	309,305
NET ASSETS	
Invested in capital assets, net of related debt	331,021
Reserved for debt service	1,230,910
TOTAL NET ASSETS	<u>1,561,931</u>
TOTAL NET ASSETS AND CONTRIBUTED CAPITAL	<u>1,871,234</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,570,501</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
BUSINESS-TYPE ACTIVITIES  
ENTERPRISE FUNDS  
WATER AND SEWER SPECIAL ASSESSMENT  
FOR THE YEAR ENDED JUNE 30, 2005

OPERATING EXPENSES	
Depreciation	\$ 40,021
Miscellaneous	2,240
TOTAL OPERATING EXPENSES	<u>42,261</u>
OPERATING LOSS	<u>(42,261)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest received on special assessments	80,998
Interest earned	7,052
Interest expense	<u>(80,496)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>7,554</u>
NET LOSS	(34,707)
NET ASSETS, JULY 1	<u>1,905,941</u>
NET ASSETS, JUNE 30	<u><u>\$ 1,871,234</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
BUSINESS-TYPE ACTIVITIES  
ENTERPRISE FUNDS  
WATER AND SEWER SPECIAL ASSESSMENT  
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 98,388
Cash payment for miscellaneous services	<u>(2,240)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>96,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment	(320,000)
Special assessment interest income	80,998
Interest income	<u>4,099</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(234,903)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on debt	(100,000)
Interest and fiscal charges	<u>(81,490)</u>
NET CASH USED IN CAPTIAL AND RELATED FINANCING ACTIVITIES	<u>(181,490)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(320,245)
CASH AND CASH EQUIVALENTS, JULY 1	<u>359,304</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 39,059</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF CASH FLOWS - Concluded  
PROPRIETARY FUNDS  
BUSINESS-TYPE ACTIVITIES  
ENTERPRISE FUNDS  
WATER AND SEWER SPECIAL ASSESSMENT  
FOR THE YEAR ENDED JUNE 30, 2005

RECONCILIATION OF OPERATING  
INCOME TO NET CASH PROVIDED  
BY OPERATING ACTIVITIES

Operating loss	\$ (42,261)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	40,021
Decrease in special assessment receivable	98,388
TOTAL NET ADJUSMENTS	<u>138,409</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 96,148</u>

See accompanying notes to financial statements.



TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	TRUST AND AGENCY	CURRENT TAX	TOTAL FIDUCIARY FUNDS
ASSETS			
Cash	\$ <u>10</u>	\$ <u>          </u>	\$ <u>10</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to other funds	\$ <u>10</u>	\$ <u>          </u>	\$ <u>10</u>
FUND BALANCE			
Unreserved-undesignated	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>10</u>	\$ <u>          </u>	\$ <u>10</u>

See accompanying notes to financial statements.

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<b>TRUST AND AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>10</u>	\$ <u>88,072</u>	\$ <u>88,072</u>	\$ <u>10</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 10	\$ 86,281	\$ 86,281	\$ 10
Due to others		<u>87,922</u>	<u>87,922</u>	
TOTAL LIABILITIES	\$ <u>10</u>	\$ <u>174,203</u>	\$ <u>174,203</u>	\$ <u>10</u>
<b>CURRENT TAX</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u></u>	\$ <u>7,627,678</u>	\$ <u>7,627,678</u>	\$ <u></u>
<b>LIABILITIES</b>				
Due to other funds	\$	\$ 466,916	466,916	\$
Due to County		1,778,618	1,778,618	
Due to community college		679,773	679,773	
Due to schools		2,569,394	2,569,394	
Due to others		1,073,220	1,073,220	
Due to I.S.D.		<u>1,067,995</u>	<u>1,067,995</u>	
TOTAL LIABILITIES	\$ <u></u>	\$ <u>7,635,916</u>	\$ <u>7,635,916</u>	\$ <u></u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>10</u>	\$ <u>7,715,750</u>	\$ <u>7,715,750</u>	\$ <u>10</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 10	\$ 553,197	\$ 553,197	\$ 10
Due to County		1,778,618	1,778,618	
Due to community college		679,773	679,773	
Due to schools		2,569,394	2,569,394	
Due to others		1,161,142	1,161,142	
Due to I.S.D.		<u>1,067,995</u>	<u>1,067,995</u>	
TOTAL LIABILITIES	\$ <u>10</u>	\$ <u>7,810,119</u>	\$ <u>7,810,119</u>	\$ <u>10</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN  
BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ <u>4,112</u>	\$ <u>16,151</u>	\$ <u>107,281</u>	\$ <u>127,544</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$	\$	\$ 1,000	\$ 1,000
Deposit payable	<u>3,000</u>			<u>3,000</u>
TOTAL LIABILITIES	<u>3,000</u>		<u>1,000</u>	<u>4,000</u>
FUND BALANCE				
Undesignated	1,112		6,260	7,372
Reserved for capital projects			100,021	100,021
Reserved for debt service		<u>16,151</u>		<u>16,151</u>
TOTAL FUND BALANCE	<u>1,112</u>	<u>16,151</u>	<u>106,281</u>	<u>123,544</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>4,112</u>	\$ <u>16,151</u>	\$ <u>107,281</u>	\$ <u>127,544</u>

See accompanying notes to financial statements.

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes and special assessments	\$	\$ 13,273	\$	\$ 13,273
Interest and rentals	34	174	965	1,173
Other			67,057	67,057
TOTAL REVENUES	<u>34</u>	<u>13,447</u>	<u>68,022</u>	<u>81,503</u>
EXPENDITURES				
Debt service				
Principal retirement		15,000		15,000
Interest and fiscal charges		638		638
Other				
TOTAL EXPENDITURES		<u>15,638</u>		<u>15,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34	(2,191)	68,022	65,865
FUND BALANCE, JULY 1	<u>1,078</u>	<u>18,342</u>	<u>38,259</u>	<u>57,679</u>
FUND BALANCE, JUNE 30	<u>\$ 1,112</u>	<u>\$ 16,151</u>	<u>\$ 106,281</u>	<u>\$ 123,544</u>

See accompanying notes to financial statements.

## TOWNSHIP OF ALAIEDON, MICHIGAN

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected Township Board, which consists of five members. The Township provides services to its more than 3,000 residents in many areas including public safety, fire protection, parks and recreation, planning, zoning and general and administrative services.

The accounting policies of the Township of Alaiedon, Michigan, conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

##### A. Reporting Entity

The Township has considered all potential component units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit, legal separation of the Township, and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

The financial entity of the Township of Alaiedon includes all funds and account groups of the Township. The Township has no activities that would be classified as a component unit.

##### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township of Alaiedon. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services.

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**B. Government-Wide and Fund Financial Statements - Concluded**

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus , Basis of Accounting and Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting and Financial Statements - Concluded**

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township of Alaiedon.

The Township of Alaiedon reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

The H&H Water Assessment Bond fund is used to account for the resources accumulated and payments made for principal and interest payments on these bonds.

The Fountain Pointe Assessment Bond fund is used to account for the resources accumulated and payments made for principal and interest payments on these bonds.

The Fountain Pointe Road Construction project is used to account for expenditures for the road construction project.

The Township reports deferred revenue on its governmental funds balance sheet. Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough thereafter to be used in payment of current year liabilities - defined as expected to be received within sixty (60) days of year end.

The Township of Alaiedon reports the following major proprietary funds:

The Water and Sewer Special Assessment fund accounts for the activities and operations of the sewage infrastructure and resources accumulated and payments for principal and interest payments for payments for bonds to the County of Ingham, Michigan.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2005

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

D. Cash and Investments

The Township's cash is considered to be cash on hand, demand deposits, and non-negotiable certificates of deposit with any original maturity of 3 months or less.

All investments are stated at cost or amortized cost.

Receivables have been recognized for all significant amounts due the Township. No allowances have been made for uncollectible amounts, because if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

E. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Alaiedon as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvement	10-20 years
Buildings	10-40 years
Machinery and equipment	5-20 years
Vehicles	3-10 years
Utility infrastructure	10-40 years
Furniture	5-10 years



**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

**G. Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Township holds a special meeting to develop the budget for the General Fund for the following fiscal year. Public hearings are conducted to obtain taxpayer comments before the budget is formally adopted.
2. Any revision to the budget must be approved by the Township Board.
3. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
4. All annual appropriations lapse at year end.

**H. Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded**

**I. Statement of Cash Flows**

In the statement of cash flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents.

**NOTE 2: PROPERTY TAXES**

The Township is authorized by State Statute and the Township Charter to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental operating purposes. The combined tax rate to finance governmental services for the year ended June 30, 2005, was .8440 per \$1,000. The total taxable value for the 2004 levy was \$151,405.

Pertinent tax dates are as follows:

Lien date	12/01/04
Levy date	12/01/04
Due date without penalty	02/14/05
Collection date	07/01/04 – 02/28/05

**NOTE 3: CASH AND INVESTMENTS**

A reconciliation of cash and investments follows:

Government-wide statement of Net Assets	
Cash	\$ 725,157
Investments	<u>949,257</u>
	<u>1,674,414</u>
Statement of Fiduciary Net Assets	
Cash	<u>10</u>
	<u>\$ 1,674,424</u>

A summary by type are:

Deposits	
Cash in demand accounts	\$ 271,528
Imprest cash	147
Cash in savings accounts/ money market	453,492
Investments	
Certificates of deposit	<u>949,257</u>
	<u>\$ 1,674,424</u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 3: CASH AND INVESTMENTS - Continued**

Deposits

At June 30, 2005 the banks were carrying a cash balance of \$770,839 - not including any pooled investment funds. Of this amount, \$118,578 was debt service money and \$652,261 was for Township activities other than debt service. These deposit classifications are covered by Federal Depository Insurance as follows:

DEPOSITS	BANK BALANCE
Insured	\$ 216,892
Uninsured and uncollateralized	<u>553,947</u>
	<u>\$ 770,839</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for credit risk. As of June 30, 2005, the Township's bank balance of \$770,839 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 553,947</u>
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Investments

Act 196, P. A. 1997, authorizes the Township to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Bonds, securities and other direct obligations of the United States or its agencies.
- (d) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).

# TOWNSHIP OF ALAIEDON, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2005

### NOTE 3: CASH AND INVESTMENTS - Concluded

- (e) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (f) Repurchase agreements consisting of instruments listed in subdivision (a).
- (g) Bankers' acceptance of United States banks.
- (h) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (i) Certain mutual funds as defined in the Act.

Investments of the Township are in accordance with statutory authority.

At June 30, 2005, the Township's investments bank balance of \$949,257 was exposed to custodial credit risk as follows:

Insured	\$ 83,108
Uninsured and Uncollateralized	<u>866,149</u>
	<u>\$ 949,257</u>

The Township has adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.

### NOTE 4: CAPITAL ASSETS

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
Capital assets not being depreciated				
Land	<u>\$ 108,217</u>	<u>\$</u>	<u>\$</u>	<u>\$ 108,217</u>
Capital assets being depreciated				
Buildings	412,135			412,135
Improvements	20,597			20,597
Machinery and equipment	90,230	12,358	13,197	89,391
Furniture	34,309			34,309
Infrastructure	88,166			88,166
Land improvements	76,767			76,767
Vehicles	<u>25,448</u>	<u></u>	<u></u>	<u>25,448</u>
Total Capital assets being depreciated	<u>747,652</u>	<u>12,358</u>	<u>13,197</u>	<u>746,813</u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2005

NOTE 4: **CAPITAL ASSETS - Concluded**

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
Less: Accumulated depreciation				
Buildings	\$ 211,423	\$ 5,897	\$	\$ 217,320
Improvements	10,384	2,060		12,444
Machinery and equipment	60,755	12,229	2,639	70,345
Furniture	32,813	359		33,172
Infrastructure	44,083	2,204		46,287
Land improvements	20,692	3,838		24,530
Vehicles	<u>22,902</u>	<u>2,545</u>		<u>25,447</u>
Total Accumulated Depreciation	<u>403,052</u>	<u>29,132</u>	<u>2,639</u>	<u>429,545</u>
Total Capital Assets being Depreciated - Net	<u>344,600</u>	<u>( 16,774 )</u>	<u>10,558</u>	<u>317,268</u>
NET CAPITAL ASSETS	<u>\$ 452,817</u>	<u>\$ ( 16,774 )</u>	<u>\$ 10,558</u>	<u>\$ 425,485</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ <u>29,132</u>

Capital assets for business-type activities have been summarized as follows:

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Infrastructure	\$ <u>2,001,069</u>	\$ _____	\$ _____	\$ <u>2,001,069</u>
Less: Accumulated depreciation				
Infrastructure	<u>50,027</u>	<u>40,021</u>		<u>90,048</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>\$ 1,951,042</u>	<u>\$ 40,021</u>	<u>\$ _____</u>	<u>\$ 1,911,021</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Water and Sewer Special Assessment	\$ <u>40,021</u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 5: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS**

P.A. 621 of 1978 provides that local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the Township Board. P.A. 493 of 2002 removed debt service funds as funds requiring a budget. During the year ended June 30, 2005, Alaiedon Township did not incur any expenditures in excess of appropriations.

**NOTE 6: ACCUMULATED UNPAID SICK AND VACATION PAY**

Accumulated sick and vacation pay represents a contingent liability to the Township. Payments to employees for sick and vacation pay will be recorded as expenditures when the sick and vacation time is earned by the employees.

At June 30, 2005, the total accumulated sick and vacation pay was approximately \$2,450.

**NOTE 7: LONG-TERM DEBT**

The following is a summary of debt transactions for the Township for the year ended June 30, 2005.

	BALANCE, JULY 1	ADDITIONS	DEDUCTIONS	BALANCE, JUNE 30	DUE WITHIN ONE YEAR
<b>GENERAL LONG-TERM DEBT</b>					
2004 Special					
Assessment Water					
Bonds	\$ 675,000	\$	\$ 35,000	\$ 640,000	\$ 35,000
2004 Special					
Assessment Road					
Bonds	925,000		45,000	880,000	45,000
1995 Special					
Assessment Bond	<u>15,000</u>	<u></u>	<u>15,000</u>	<u></u>	<u></u>
<b>TOTAL GENERAL</b>					
<b>LONG-TERM</b>					
<b>DEBT</b>	<u>\$ 1,615,000</u>	<u>\$</u>	<u>\$ 95,000</u>	<u>\$ 1,520,000</u>	<u>\$ 80,000</u>

Significant detail regarding the outstanding long-term debt (including current portion) is presented below:

General Obligation Bonds

\$675,000 - 2004 Special Assessment Water Bonds due in annual installments of \$35,000 to \$40,000 through December 1, 2022; interest at 4.75%	\$ 640,000
\$925,000 - 2004 Special Assessment Road Bonds due in annual installments of \$45,000 to \$50,000 through November 1, 2023; interest at 4.30% to 4.80%	<u>880,000</u>
	<u>\$ 1,520,000</u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2005

NOTE 7: **LONG-TERM DEBT** – Concluded

The annual requirements to amortize all debt outstanding, excluding vested sick and vacation pay as of June 30, 2005, are as follows:

YEAR ENDING JUNE 30,		GENERAL OBLIGATION BONDS	
2006	Principal	\$	80,000
	Interest		66,790
	Total		146,790
2007	Principal		80,000
	Interest		63,805
	Total		143,805
2008	Principal		80,000
	Interest		60,733
	Total		140,733
2009	Principal		80,000
	Interest		57,574
	Total		137,574
2010	Principal		85,000
	Interest		54,325
	Total		139,325
2011-2015	Principal		425,000
	Interest		217,879
	Total		642,879
2016-2020	Principal		425,000
	Interest		124,462
	Total		549,463
2021-2023	Principal		265,000
	Interest		26,108
Totals	Principal		1,520,000
	Interest		<u>671,677</u>
		\$	<u>2,191,677</u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 8: INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of the interfund receivables and payables as of June 30, 2005:

DUE FROM		DUE TO	
Road Account	\$ 1,000	General	\$ 1,010
Trust and Agency	<u>10</u>		<u>          </u>
<b>TOTAL</b>	<b>\$ <u>1,010</u></b>	<b>TOTAL</b>	<b>\$ <u>1,010</u></b>

Interfund loans were made for cash flow purposes.

**NOTE 9: RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

**NOTE 10: BUILDING DEPARTMENT FUND BALANCE RESERVE**

For June 30, 2005, the Township accounted for the building department activities in the general fund. The revenues and expenditures from July 1, 2004 to June 30, 2005 for the building department were as follows:

<b>REVENUES</b>	
Building permits	\$ <u>20,124</u>
<b>EXPENDITURES</b>	
Salaries	20,563
Travel	1,894
Supplies	223
Miscellaneous	<u>5,210</u>
	<u>27,890</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>( 7,766)</b>
<b>FUND BALANCE RESERVE FOR BUILDING DEPARTMENT, JULY 1</b>	<b><u>28,677</u></b>
<b>FUND BALANCE RESERVE FOR BUILDING DEPARTMENT, JUNE 30</b>	<b>\$ <u>20,911</u></b>



**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2005**

**NOTE 11: LEASE PAYABLE**

During 2002, the Township entered into an agreement with the County of Ingham for constructing a water sewer system for the Township. The County sold bonds for \$1,980,000 to finance this project. The Township is paying the County as the bond principal and interest payments are due. Principal payments are \$100,000 to \$105,000 per year plus interest of 4.0% to 5.10%. The bonds are due in April, 2021. The Township is assessing the citizens for the next 20 years. The lease payable balance was \$1,680,000 as of June 30, 2005.

The future minimum lease payments (including interest of \$687,435) are as follows:

YEAR ENDING JUNE 30,	AMOUNT
2006	\$ 182,490
2007	178,290
2008	174,090
2009	169,628
2010	165,165
Thereafter	<u>1,497,772</u>
	<u>\$ 2,367,435</u>

**NOTE 12: FUND BALANCE/RETAINED EARNINGS RESERVES**

**FUND BALANCE**

General Fund

Reserved for building department \$ 20,911

Debt Service Fund

Reserved for debt service \$ 374,530

Capital Projects Funds

Reserved for capital projects \$ 137,390

**RETAINED EARNINGS**

Enterprise Funds

Reserved for debt service \$ 1,540,213

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS - Concluded**  
**JUNE 30, 2005**

**NOTE 13:     SEGMENT INFORMATION**

The Township of Alaiedon has one enterprise fund which provides water and sewer services to its residents. The following is additional segment information not disclosed in the general-purpose financial statements as of and for the year ended June 30, 2005.

Operating loss	\$( 42,261)
Net loss	( 34,707)
Total assets	3,570,501
Property, plant and equipment - net	1,911,021
Long-term liabilities	1,580,000
Total liabilities	1,699,267
Total equity	1,871,234
Net change in cash flows	( 320,245)
Net working capital	324,435

**NOTE 14:     FUND DEFICITS**

There were no funds with deficits for the year ended June 30, 2005.

**NOTE 15:     CONTRIBUTED CAPITAL**

Contributed Capital represents advance payments on special assessments from taxpayers. The contributed capital balance at June 30, 2005 is \$309,305. This contributed capital balance has been combined with the net asset balances for the statement of net assets.

## REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes				
Property taxes	\$ 230,150	\$ 230,150	\$ 241,043	\$ 10,893
Licenses and Permits				
Permits	24,500	24,500	25,012	512
Intergovernmental				
Sales tax	200,000	200,000	216,359	16,359
Charges for Services				
Administrative fees	13,000	13,000	15,336	2,336
Trash collections	3,000	3,000	3,493	493
Fire run collections	5,000	5,000	23,655	18,655
Sewer and water connection fees			16,863	16,863
Cemetery lot sales	7,000	7,000	7,819	819
Total Charges for Services	28,000	28,000	67,166	39,166
Other Revenues				
Interest on investments	6,000	6,000	17,602	11,602
Special assessments	13,000	13,000	10,608	(2,392)
Refunds and reimbursements			18,878	18,878
Miscellaneous	500	500	437	(63)
Total Other Revenues	19,500	19,500	47,525	28,025
TOTAL REVENUES	502,150	502,150	597,105	94,955

See accompanying notes to financial statements.

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - Concluded**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>EXPENDITURES</b>				
General Government				
Supervisor	\$ 16,750	\$ 16,750	\$ 16,150	\$ 600
Trustee	6,000	6,000	5,894	106
Elections	6,400	8,049	7,514	535
Assessing	25,500	25,936	25,536	400
Clerk	13,200	13,200	13,030	170
Treasurer	9,200	9,200	9,050	150
Building and grounds	44,100	44,531	33,437	11,094
Cemetery	115,700	117,481	25,350	92,131
Office	117,100	118,618	89,167	29,451
Board of review	1,500	1,500	1,050	450
Total General Government	<u>355,450</u>	<u>361,265</u>	<u>226,178</u>	<u>135,087</u>
Public Safety				
Building inspections	26,200	26,200	22,966	3,234
Planning commission	4,000	4,260	3,260	1,000
Board of appeals	1,800	1,800	1,400	400
Fire prevention	80,000	82,922	82,730	192
Total Public Safety	<u>112,000</u>	<u>115,182</u>	<u>110,356</u>	<u>4,826</u>
Public Works				
Public services	<u>174,500</u>	<u>207,378</u>	<u>80,595</u>	<u>126,783</u>
Other Functions				
Township share of pension	5,000	5,000	4,624	376
Township share of FICA	12,000	12,000	11,874	126
Insurance-liability and bonding	14,000	14,000	13,728	272
Insurance-health	22,000	23,885	23,885	
Workers' compensation	3,500	3,500	3,286	214
Miscellaneous		174,394	33,424	140,970
Total Other Functions	<u>56,500</u>	<u>232,779</u>	<u>90,821</u>	<u>141,958</u>
TOTAL EXPENDITURES	<u>698,450</u>	<u>916,604</u>	<u>507,950</u>	<u>408,654</u>
EXCESS(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(196,300)</u>	<u>(414,454)</u>	<u>89,155</u>	<u>503,609</u>
FUND BALANCE, JULY 1	<u>745,180</u>	<u>745,180</u>	<u>745,180</u>	
FUND BALANCE, JUNE 30	<u>\$ 548,880</u>	<u>\$ 330,726</u>	<u>\$ 834,335</u>	<u>\$ 503,609</u>

See accompanying notes to financial statements.

## GENERAL FUND

The General Fund is used to account for resources traditionally associated with local government, and any other activity for which a special fund has not been created.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

GENERAL FUND

JUNE 30, 2005

ASSETS

Cash and cash equivalents	\$ 425,018
Investments	374,257
Accounts receivable	1,000
Due from other funds	1,010
Due from other governmental units	45,084
TOTAL ASSETS	<u>\$ 846,369</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 10,006
Accrued wages	2,028
TOTAL LIABILITIES	<u>12,034</u>

FUND BALANCE

Reserved-building department	20,911
Unreserved-undesignated	813,424
TOTAL FUND BALANCE	<u>834,335</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 846,369</u>
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TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHAGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 230,150	\$ 241,043	\$ 10,893
Licenses and permits	24,500	25,012	512
Intergovernmental-state	200,000	216,359	16,359
Charges for services	28,000	67,166	39,166
Interest	6,000	17,602	11,602
Other	13,500	29,923	16,423
TOTAL REVENUES	<u>502,150</u>	<u>597,105</u>	<u>94,955</u>
EXPENDITURES			
General government	361,265	226,178	135,087
Public safety	115,182	110,356	4,826
Public works	207,378	80,595	126,783
Other	232,779	90,821	141,958
TOTAL EXPENDITURES	<u>916,604</u>	<u>507,950</u>	<u>408,654</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(414,454)	89,155	503,609
FUND BALANCE, JULY 1	<u>745,180</u>	<u>745,180</u>	
FUND BALANCE, JUNE 30	<u>\$ 330,726</u>	<u>\$ 834,335</u>	<u>\$ 503,609</u>



**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>GENERAL GOVERNMENT</b>			
Supervisor			
Salaries	\$ 13,000	\$ 13,000	\$
Supplies	50		50
Mileage	1,200	1,200	
Miscellaneous	2,500	1,950	550
Total Supervisor	16,750	16,150	600
Trustee			
Salaries	6,000	5,894	106
Elections			
Salaries	5,000	4,465	535
Supplies	1,883	1,883	
Printing and publishing	1,166	1,166	
Total Elections	8,049	7,514	535
Assessing			
Salaries	25,000	24,600	400
Supplies	936	936	
Total Assessing	25,936	25,536	400
Clerk			
Salaries	13,000	13,000	
Miscellaneous	200	30	170
Total Clerk	13,200	13,030	170
Treasurer			
Salaries	9,000	9,000	
Miscellaneous	200	50	150
Total Treasurer	9,200	9,050	150
Building and Grounds			
Salaries	19,000	16,909	2,091
Supplies	2,181	2,523	(342)
Repairs and maintenance	6,000	5,301	699
Fuel	4,350	3,563	787
Utilities	5,000	4,341	659
Capital outlay	3,000	800	2,200
Property and land improvements	5,000		5,000
Total Building and Grounds	44,531	33,437	11,094

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Continued**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>GENERAL GOVERNMENT - Concluded</b>			
Cemetery			
Salaries	\$ 19,331	\$ 18,456	\$ 875
Supplies	2,000	954	1,046
Repairs and maintenance	3,150	3,113	37
Travel	100	42	58
Fuel	1,000	1,006	(6)
Utilities	900	779	121
Capital outlay	3,000	1,000	2,000
Property and land improvements	88,000		88,000
Total Cemetery	<u>117,481</u>	<u>25,350</u>	<u>92,131</u>
Office			
Salaries	50,618	51,500	(882)
Supplies	3,000	1,814	1,186
Postage	5,000	3,407	1,593
Attorney fees	35,000	15,090	19,910
Audit fees	3,000	2,750	250
Travel	3,000	2,363	637
Tax expense	1,000		1,000
Legal notices	5,000	3,813	1,187
Equipment and maintenance	8,000	4,804	3,196
Printing	500	185	315
Township dues	3,500	3,168	332
Miscellaneous	1,000	273	727
Total Office	<u>118,618</u>	<u>89,167</u>	<u>29,451</u>
Board of Review			
Salaries	<u>1,500</u>	<u>1,050</u>	<u>450</u>
TOTAL GENERAL GOVERNMENT	<u>361,265</u>	<u>226,178</u>	<u>135,087</u>
<b>PUBLIC SAFETY</b>			
Building Inspection			
Salaries	23,000	20,563	2,437
Travel	2,100	1,894	206
Supplies	600	223	377
Miscellaneous	500	286	214
Total Building Inspection	<u>26,200</u>	<u>22,966</u>	<u>3,234</u>
Planning Commission			
Salaries	3,260	3,260	
Miscellaneous	1,000		1,000
Total Planning Commission	<u>4,260</u>	<u>3,260</u>	<u>1,000</u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - Concluded**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC SAFETY - Concluded			
Zoning Board of Appeals			
Salaries	\$ 1,500	\$ 1,400	\$ 100
Building Board of Appeals	300		300
Fire Prevention			
Fire runs	37,922	39,922	(2,000)
Stand by fees	45,000	42,808	2,192
Total Fire Prevention	82,922	82,730	192
TOTAL PUBLIC SAFETY	115,182	110,356	4,826
PUBLIC WORKS			
Road improvement	150,000	26,250	123,750
Plan review	1,000	85	915
Building Inspection	6,000	4,924	1,076
Trash pickup	9,000	8,021	979
Ground water management	25,000	24,813	187
Street lights	10,000	10,124	(124)
Drain at large	6,378	6,378	
TOTAL PUBLIC WORKS	207,378	80,595	126,783
OTHER			
Township share of pension	5,000	4,624	376
Township share of FICA	12,000	11,874	126
Insurance - liability and bonding	14,000	13,728	272
Insurance - health	23,885	23,885	
Workers' compensation	3,500	3,286	214
Miscellaneous	174,394	33,424	140,970
TOTAL OTHER	232,779	90,821	141,958
TOTAL EXPENDITURES	\$ 916,604	\$ 507,950	\$ 408,654

## SPECIAL REVENUE FUND

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

The Special Revenue Fund of the Township is: Mining Expendable Trust Fund.

TOWNSHIP OF ALAIEDON, MICHIGAN

BALANCE SHEET

SPECIAL REVENUE FUND

JUNE 30, 2005

MINING  
EXPENDABLE  
TRUST  
FUND

ASSETS

Cash and cash equivalents

\$ 4,112

LIABILITIES AND FUND BALANCE

LIABILITIES

Deposits payable

\$ 3,000

FUND BALANCE

Unreserved

1,112

TOTAL LIABILITIES AND  
FUND BALANCE

\$ 4,112

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**MINING EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

REVENUES	
Interest	\$ 34
FUND BALANCE, JULY 1	<u>1,078</u>
FUND BALANCE, JUNE 30	<u><u>\$ 1,112</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHAGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
MINING EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Interest	\$ <u>          </u>	\$ <u>          34</u>	\$ <u>          34</u>
EXPENDITURES	<u>                  </u>	<u>                  </u>	<u>                  </u>
EXCESS OF REVENUES OVER EXPENDITURES		34	34
FUND BALANCE, JULY 1	<u>          1,078</u>	<u>          1,078</u>	<u>                  </u>
FUND BALANCE, JUNE 30	\$ <u>          1,078</u>	\$ <u>          1,112</u>	\$ <u>          34</u>

## NON-MAJOR DEBT SERVICE FUNDS

Debt Service Funds are established to finance and account for the payment of interest and principal on all general obligation debt other than that payable exclusively from revenue bonds issued for and serviced by a governmental enterprise.

The Township's Debt Service Funds are legal in nature. They are established in accordance with statutes and/or bond indentures. Their use enhances the attractiveness of bonds to prospective buyers resulting, possibly, in a lower rate of interest. Inclusion of Debt Service Fund provisions in the indenture indicates to the buyer that the timing of the acquisition of assets with which to satisfy maturing debt has been formalized and that a sophisticated administrative approach to servicing the debt will be followed.

The Township's Non-Major Debt Service Fund is the Road Assessment Bonds.



TOWNSHIP OF ALAIEDON, MICHIGAN  
BALANCE SHEET  
NONMAJOR DEBT SERVICE FUND  
JUNE 30, 2005

	ROAD ASSESSMENT BONDS
ASSETS	
Cash and cash equivalents	\$ <u>16,151</u>
TOTALS ASSETS	\$ <u><u>16,151</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ _____
FUND BALANCE	
Reserved for debt service	<u>16,151</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>16,151</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	ROAD ASSESSMENT BONDS
REVENUES	
Special assessments	\$ 13,273
Interest	<u>174</u>
TOTAL REVENUES	<u>13,447</u>
EXPENDITURES	
Debt Service	
Principal	15,000
Interest	<u>638</u>
TOTAL EXPENDITURES	<u>15,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,191)
FUND BALANCE, JULY 1	<u>18,342</u>
FUND BALANCE, JUNE 30	<u><u>\$ 16,151</u></u>

## NON-MAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are designed to account for the resources to acquire assets of a relatively permanent nature. These funds satisfy the special accounting requirements for bond proceeds and projects utilizing more than one funding source.

Capital Projects Funds provide a formal mechanism which enables administrators to ensure that revenues dedicated to a certain purpose are used only for that purpose and further enables them to report to creditors and other grantors of capital projects funds revenue that their requirements regarding the use of the revenue were fully satisfied.

The Township's Non-Major Capital Projects Funds include the Road Account, Water and Sewer Assessment, and H&H Water Assessment.

TOWNSHIP OF ALAIEDON, MICHIGAN  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2005

	ROAD ACCOUNT	WATER AND SEWER ASSESSMENT	H & H WATER ASSESSMENT	TOTAL
ASSETS				
Cash and cash equivalents	\$ <u>7,260</u>	\$ <u>2,992</u>	\$ <u>97,029</u>	\$ <u>107,281</u>
LIABILITIES				
Due to general fund	\$ <u>1,000</u>	\$ <u></u>	\$ <u></u>	\$ <u>1,000</u>
FUND BALANCE				
Unreserved - undesignated	6,260			6,260
Reserved for capital projects	<u></u>	<u>2,992</u>	<u>97,029</u>	<u>100,021</u>
TOTAL FUND BALANCE	<u>6,260</u>	<u>2,992</u>	<u>97,029</u>	<u>106,281</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>7,260</u>	\$ <u>2,992</u>	\$ <u>97,029</u>	\$ <u>107,281</u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NON-MAJOR CAPTIAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	ROAD ACCOUNT	WATER AND SEWER ASSESSMENT	H & H WATER ASSESSMENT	TOTAL
REVENUES				
Interest	\$ 18	\$ 25	\$ 922	\$ 965
Other			67,057	67,057
TOTAL REVENUES	<u>18</u>	<u>25</u>	<u>67,979</u>	<u>68,022</u>
EXPENDITURES				
Public works				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18	25	67,979	68,022
FUND BALANCE, JULY 1	<u>6,242</u>	<u>2,967</u>	<u>29,050</u>	<u>38,259</u>
FUND BALANCE, JUNE 30	<u>\$ 6,260</u>	<u>\$ 2,992</u>	<u>\$ 97,029</u>	<u>\$ 106,281</u>

## ENTERPRISE FUND

The Enterprise Fund is used for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Township Board is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Township Board has decided that periodic determination of net income is appropriate for accountability purposes.

**WATER AND SEWER SPECIAL ASSESSMENT FUND** Provides portable water for domestic, commercial and fire protection uses as well as sewage collection and treatment systems to treat and dispose of wastewater.

TOWNSHIP OF ALAIEDON, MICHIGAN  
BALANCE SHEET  
WATER AND SEWER SPECIAL ASSESSMENT FUND  
JUNE 30, 2005

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 39,059
Certificate of deposit	320,000
Accrued interest receivable	2,953
Special assessment receivable-current	<u>81,691</u>
TOTAL CURRENT ASSETS	<u>443,703</u>
PROPERTY AND EQUIPMENT	2,001,069
Less: accumulated depreciation	<u>(90,048)</u>
NET PROPERTY AND EQUIPMENT	<u>1,911,021</u>
OTHER ASSETS	
Special assessment receivable	<u>1,215,777</u>
TOTAL ASSETS	<u><u>\$ 3,570,501</u></u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES	
Accrued interest payable	\$ 19,267
Lease payable	<u>100,000</u>
TOTAL CURRENT LIABILITIES	119,267
NONCURRENT LIABILITIES	
Lease payable	<u>1,580,000</u>
TOTAL LIABILITIES	<u>1,699,267</u>
FUND EQUITY	
Contributed capital	
Taxpayers	309,305
RETAINED EARNINGS	
Reserved for debt service	<u>1,561,929</u>
TOTAL FUND EQUITY	<u>1,871,234</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 3,570,501</u></u>

TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
WATER AND SEWER SPECIAL ASSESSEMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2005

OPERATING REVENUES	
Special assessment	\$ _____
TOTAL REVENUES	_____
EXPENDITURES	
Depreciation	40,021
Miscellaneous	2,240
TOTAL EXPENDITURES	<u>42,261</u>
OPERATING LOSS	<u>(42,261)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest on special assessments	80,998
Interest on investments	7,052
Interest and fiscal charges	<u>(80,496)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>7,554</u>
NET LOSS	(34,707)
RETAINED EARNINGS, JULY 1	<u>1,905,941</u>
RETAINED EARNINGS, JUNE 30	\$ <u><u>1,871,234</u></u>



TOWNSHIP OF ALAIEDON, MICHIGAN  
STATEMENT OF CASH FLOWS  
WATER AND SEWER SPECIAL ASSESSMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from special assessments	\$ 98,388
Cash paid for miscellaneous	<u>(2,240)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>96,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment	(320,000)
Special assessment interest income	80,998
Interest income	<u>4,099</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(234,903)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments	(100,000)
Interest and fiscal charges	<u>(81,490)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(181,490)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(320,245)
CASH AND CASH EQUIVALENTS, JULY 1	<u>359,304</u>
CASH AND CASH EQUIVALENTS , JUNE 30	<u><u>\$ 39,059</u></u>

**TOWNSHIP OF ALAIEDON, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**WATER AND SEWER SPECIAL ASSESSMENT FUND - Concluded**  
**FOR THE YEAR ENDED JUNE 30, 2005**

RECONCILIATION OF OPERATING LOSS TO NET

CASH PROVIDED BY OPERATIONS

Operating loss	\$ <u>(42,261)</u>
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Depreciation	40,021
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Changes in assets and liabilities

Decrease in special assesement receivable	<u>98,388</u>
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TOTAL NET ADJUSTMENTS	<u>138,409</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 96,148</u></u>
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## FIDUCIARY FUNDS

### AGENCY FUNDS

Agency Funds are used to account for assets held by the Township as an agent for individuals, other governments, and funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### TRUST FUNDS

Trust Funds are used to account for assets held by the Township in a trustee capacity for individuals and other local units. Expendable Trust Funds are generally limited to instances where a formal legal trustee relationship exists and the principal and interest may be expended in the course of their designated operations.

The Township Fiduciary Funds include Trust and Agency and the Current Tax.

TOWNSHIP OF ALAIEDON, MICHIGAN  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUNDS  
 JUNE 30, 2005

	AGENCY FUNDS		
	TRUST AND AGENCY	CURRENT TAX	TOTAL
ASSETS			
Cash and cash equivalents	\$ <u>10</u>	\$ <u>          </u>	\$ <u>10</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Due to general fund	\$ <u>10</u>	\$ <u>          </u>	\$ <u>10</u>
FUND BALANCE			
Unreserved- undesignated	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>10</u>	\$ <u>          </u>	\$ <u>10</u>



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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board  
Township of Alaiedon  
Mason, Michigan

We have audited the general purpose financial statements of the Township of Alaiedon, Michigan, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Alaiedon Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alaiedon Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Township Board, management, and State and Federal Agencies. However, this report is a matter of public record and its distribution is not limited.

*Layton & Richardson, P.C.*  
*Certified Public Accountants*

East Lansing, Michigan  
August 31, 2005



## LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board  
Township of Alaiedon  
Mason, Michigan

We have examined the financial statements of the Township of Alaiedon, Michigan, for the year ended June 30, 2005, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Township of Alaiedon. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Township of Alaiedon is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

### PRIOR YEAR RECOMMENDATIONS

We made the following recommendations concerning internal control weaknesses during prior year's audits:

#### FIXED ASSETS

We noted during the audit that the Township does not have a current list of fixed assets. We recommend that a complete schedule of fixed assets be kept and updated for any additions or disposals. This will provide better accountability over fixed assets. **Management response:** This was compiled for GASB 34 implementation, however, balances prior to June 30, 1997 need to be further investigated.

## PRIOR YEAR RECOMMENDATIONS – Concluded

### CASH PROCEDURES

During the audit, we noted that the person that prepares the monthly bank reconciliation also handles cash disbursements and cash receipt procedures. We recommend that the Township Treasurer receive and approve all bank statements and cancelled checks before returning for reconciliation. This will provide better controls over cash functions. **This recommendation has not been implemented.**

### CURRENT TAX FUND

During the audit, we noted that the current tax fund and trust and agency fund had some general ledger accounts that were not being reconciled. We recommend that all accounts in the current tax fund and trust and agency fund be reconciled by someone independent of the accounting for this fund. This will provide a reconciliation of tax monies and help to ensure that they are recorded properly. **This recommendation has not been implemented.**

### CASH DISBURSEMENTS

During the audit, we noted some outstanding checks that have been outstanding for some time. We recommend that when preparing the bank reconciliation, all outstanding checks over 90 days old be investigated. **This is in the process of being implemented.**

### PAYROLL

During the audit, we noted an employee's withholding had been changed to an amount not equal to the amount calculated by the computer. We recommend that every time an employee changes their withholding, a revised W-4 be completed. **This has not been implemented.**

## CURRENT YEAR RECOMMENDATIONS

### PAYROLL

Participation in the pension program is available for the three hourly employees. The Township will match funds up to a certain point. We noted during our audit that documentation did not exist as to how much each employee elects to have withheld from payroll. We recommend preparation of documentation that employees sign indicating the amount the employee elects to have withheld from payroll. **This recommendation was implemented during the audit.**

During our audit, we noted that not all Township employees have a federal withholding form on file. We also noted that no Township employees have a state withholding form on file. We recommend that all employees complete a current federal and state withholding form. This will allow the Township to correctly determine withholdings for each employee.

We noted during our audit that in several instances, amounts withheld from payroll do not match the amounts as determined from Federal Publication 15 and Michigan 446. We recommend that employee payroll files be reviewed and the cause of the difference be corrected.

## CURRENT YEAR RECOMMENDATIONS – Concluded

### CASH RECEIPTS

During our audit, we noted that the Township operates a trash collection operation and collection operation and collects user fees. The fees are collected from residents and receipts are not provided. Aggregate cash collections are reported the next business day and a single receipt is prepared. We recommend that the Township official administering the collection prepare a receipt for each collection with a copy given to the resident. This procedure will strengthen the control over cash and provide an improved record of cash receipts.

We are grateful to the Township employees for their assistance and cooperation extended to us during the audit.

Very truly yours,

*Rayton & Richardson, P.C.*  
Certified Public Accountants

East Lansing, Michigan  
August 31, 2005